

# How to Transmit and Support Your ACR for Contract Year 2003

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Your electronic Adjusted Community Rate Proposals (ACRPs) for contract year 2003 are due at the Centers for Medicare & Medicaid Services (CMS) by the close of business on July 1, 2002. Paper copies of supporting material must be postmarked by the same date.

This document supplements the information in the CMS *Instructions for Completing the Adjusted Community Rate Pricing Form for Contract Year 2003* (the *ACR Instructions*).

## BACKGROUND

The term ACRP denotes two separate items that Medicare+Choice (M+C) organizations must prepare and submit to CMS: the Adjusted Community Rate (ACR) and the Plan Benefit Package (PBP). The ACR is a pricing document, whereas the PBP is a description of M+C plan benefits, premiums, and cost sharing. The detailed requirements for transmitting and supporting an ACR are outlined in this document. You can find more information on the PBP on the Health Plan Management System (HPMS).

The ACRP process for contract year 2003 will be similar to that for 2002. Changes to the ACR and PBP forms are described below. Please read the *ACR Instructions* before completing your ACRs.

## Changes to ACR Forms and Procedures

The ACR forms for contract year 2003 differ from those for 2002. The major changes are:

- ◆ Worksheet A (Cover Sheet), Part IA now has a line (line 11) to display an amount to be withheld from an M+C organization's monthly payment from CMS to fund a reduction in enrollees' out-of-pocket costs of the Part B monthly premium. CMS will implement the withholding at the level in your approved ACR. (Worksheet E displays the same value.) Worksheet A also has a Part IV that will allow you to update, as necessary, the standard Part B premium CMS estimated for 2003. Part IV triggers internal checks of your entry on line 11 to ensure that it is within M+C program limits.
- ◆ Worksheet A1 (Service Area and Estimate of Annual Payment Rate) has some minor changes and a new column (column d) that allows M+C or-

ganizations (M+COs) to adjust the contract year 2002 actual monthly payment rate shown in column c of the form.

- ◆ The ACR entries on the 2002 version of Worksheets B, C, D, and E (Part II) that are related to Optional Supplemental Benefits will change as follows:
  - Worksheet B (Base-Period Costs and Enrollment): For 2003 organizations should allocate costs of administration, additional revenues, and receipts for COB–Other to each optional supplemental health care component on Worksheet B. For 2002 M+COs entered the total amount of each of these items related to Optional Supplemental Benefits separately on Worksheet B.
  - Worksheet C (Premiums & Cost Sharing) and Worksheet D (Expected Cost and Variation): For 2003 all the displays of costs, cost sharing, and premiums for Optional Supplemental Benefits formerly in Worksheets C and D have been combined in the new Worksheet F (Adjusted Community Rate for Optional Supplemental Benefits).
  - Worksheet E, Part II (Adjusted Community Rate) has been eliminated. For 2003 the computations formerly in Worksheet E, Part II are in the new Worksheet F.
- ◆ Worksheet E, Part I (Adjusted Community Rate) has undergone minor changes for 2003, including the addition of a new line (line 11) to display amounts to fund Part B premium reductions for enrollees. The amount displayed on line 11 will be withheld from the monthly payments by CMS to an M+CO.

## Changes to PBP Data Collection Tool

CMS also has changed the PBP data collection tool for contract year 2003. Information about the PBP is available on CMS's Web site ([www.hcfa.gov](http://www.hcfa.gov)).

## Changes to Substantiation Requirements

You no longer need to categorize your expected variation entries in your documentation for Worksheet D. Your backup material will need to break out the direct medical costs (including the COB–Other receipt component), administration costs, and additional revenues allocated to Optional Supplemental Benefits on Worksheet B and Worksheet F. The 2003 ACR form does not display these items separately.

## Changes to CMS Review of ACRs

CMS review of your justification for certain entries on Worksheet C and Worksheet D will be more comprehensive than in the past, because section 622 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) requires the CMS Office of the Actuary to determine the appropriateness of the actuarial rates, amounts, and assumptions M+COs use to prepare ACRPs.

## ACR Cover Letter

In 2003 CMS is asking all M+COs to include cover letters with their paper ACR submittals. For 2002 CMS asked M+COs to include in a cover letter certain information related to waivers requested under section 617 of BIPA. This year ACR cover letters also should include an explanation of the need for any increase in your plan premium for 2003 relative to 2002.

## GENERAL GUIDANCE FOR SUBMITTING ACRPs

The *ACR Instructions* are available online at [www.hcfa.gov/medicare/acrp.htm](http://www.hcfa.gov/medicare/acrp.htm). Please refer to them for information relating to the contents of ACRs. This document does not address such issues.

## ACRs and PBPs

This section discusses the ACRs and PBPs. The next section discusses supporting documentation.

## ELECTRONIC AND PAPER ACRs

M+C organizations must submit both paper and electronic ACRs to fulfill the requirements of the contract year 2003 ACRP process. Electronic ACRs are due by the close of business on July 1, 2002. You have the option of uploading your electronic ACRs earlier, beginning on June 3. Paper ACRs must be postmarked by July 1, 2002.

The paper copy of the ACR must be identical to the electronic copy you submit, except that the paper copy will contain the certification signatures required by CMS. (See Chapter 2 of the *ACR Instructions*.) M+C organizations must provide certification signatures for each ACR they submit.

## ACR COVER LETTER

Please provide a cover letter with your paper ACRs and accompanying supporting documentation. Please place the cover letter behind the transmittal form described

later in these instructions. At a minimum, please state whether or not each of your M+C plans:

- ◆ Has a higher premium in 2003 than in 2002.
- ◆ Uses either the “actuarial swapping” or the “actuarial equivalence” category of waivers allowed by section 617 of BIPA.

If your plans have any of these characteristics, please provide the additional information discussed below.

#### Plan Premium Increase

If the plan premium for 2003 is higher than for 2002, please provide the amount of the increase and explain the need for it.

#### Section 617 Waivers

Section 617 of BIPA provides authority for CMS to waive or modify requirements that hinder the design of, the offering of, or the enrollment in M+C plans under contracts between M+C organizations and employers or unions. Please refer to Chapter 14 of the *ACR Instructions* for more on these waivers.

If your M+C plan uses either the “actuarial swapping” or the “actuarial equivalence” category of waivers under section 617 of BIPA, please provide the following information.

**Actuarial Swaps.** If you request the actuarial swapping category of waiver, please identify in your ACR cover letter both the benefits that *might* be swapped during negotiations with employers and/or unions *and* the M+C plan covering those benefits. You need only identify benefits in your ACRPs that are candidates for swaps. You *do not* have to identify the benefits that you might swap for the candidates. When you make specific swaps in negotiations with employers or unions, in the context of the CMS general approval of your candidates, you can do so without obtaining further approval from CMS for the actual swaps.

**Actuarial Equivalence.** If you request the actuarial equivalence category of waiver, please provide the following information in the cover letter of each affected ACR:

- ◆ The cost-sharing amounts you intend to increase and the M+C plan containing the cost sharing;
- ◆ Any modification to the premium you will charge; and
- ◆ Any improvement in the benefit related to the changed cost sharing.

As discussed in Chapter 14 of the *ACR Instructions*, please retain in your files a package of documents with computations supporting the proposed changes under these two types of waivers. *Do not* include those packages of documents in either your cover letter or in the backup material you send to CMS.

#### MAILING ADDRESS FOR THE PAPER COPY OF THE ACR

M+C organizations should transmit a *paper copy* of the ACR and supporting documentation via U.S. mail or commercial delivery service to the following address:

LMI  
ATTN: ACRP  
2000 Corporate Ridge  
McLean, VA 22102-7805

#### ELECTRONIC COPY OF THE PBP

M+C organizations must also submit an *electronic copy* of the PBP for contract year 2003 simultaneously with the corresponding ACR. M+C organizations will transmit the PBP to CMS only in an electronic version—paper copies of the PBP itself will not be required.

#### SOFTWARE FOR THE ELECTRONIC ACR AND PBP

To obtain a copy of the ACR and PBP software necessary to transmit your ACRP electronically, please go to HPMS. Downloading and installation instructions also are available from HPMS.

### ACR Supporting Documentation and Assembly

The ACR workbook is composed of individual Excel worksheets. The printing and binding requirements and the assembly instructions for the paper copy of each ACR workbook and its supporting documentation follow. CMS electronically scans your paper submissions to smooth the progress of its ACRP review process. Please follow these instructions carefully to facilitate the scanning.

A tab or placeholder should separate each ACR workbook and its supporting documentation. The number of tabs that an M+C organization needs will depend on how many ACR workbooks it files.

To the extent possible, please assign tabs a number that corresponds to the plan ID. For example, Tab 1 would contain the ACR and supporting documents for Plan 001.

Assemble your material in the following order:

- ◆ Transmittal form

- ◆ Cover letter
- ◆ Tab 1 for first plan (Plan 001)
- ◆ ACR worksheets
- ◆ Substantiation
- ◆ Tab 2 for second plan (Plan 002)
- ◆ ACR worksheets
- ◆ Substantiation
- ◆ Tab 3 for next plan, etc., etc.

#### PAPER, PRINTING, AND BINDING REQUIREMENTS FOR PAPER ACR AND SUBSTANTIATION

CMS will use scanning technology to expedite the processing and review of paper documents. To facilitate such scanning, please adhere to the following paper, printing, and binding requirements. Paper documents that don't meet the following specifications may be returned unprocessed to the M+C organization, which means that the organization would have to correct and resubmit the materials to CMS. The following specifications apply to all paper documents such as ACR worksheets, the transmittal form, and the supporting documents:

- ◆ Paper size: 8½ x 11 (letter size only)
- ◆ Page orientation: landscape (sideways)
- ◆ Printing: single-sided
- ◆ Paper color: white only
- ◆ Hole punching: none
- ◆ Font size: minimum of 10 point
- ◆ Font color: black
- ◆ Graphics or logos: none of any kind
- ◆ Binding: none, except for binder clips

Again, each package of ACR materials should be unbound, or bound only with binder clips. Please do *not* use staples, paper clips, ring binders, rubber bands, or any type of permanent binding material.

#### PACKAGING

M+C organizations are encouraged to send all their ACRs for the same H-number to LMI in the same package.

In addition, each sheet of paper that you send must meet the paper, printing, and binding requirements described above to facilitate electronic scanning.

M+C organizations also must make sure that *each ACR workbook and its corresponding supporting documentation is numbered consecutively in the upper left-hand corner*. (Handwritten numbers are fine.) The transmittal form that you attach to all ACR workbooks and substantiation should clearly state the number of pages for each ACR, and for multiple ACRs the total number of all pages

submitted. That will allow CMS to verify that it has received paper copies of all your worksheets and supporting documentation.

In addition, each section of *supporting documentation* submitted must contain the appropriate label (e.g., **A1-1**) in the *upper right-hand corner* of every page. Those labels, which facilitate the indexing of scanned documents, are described below.

## TRANSMITTAL FORM

Attachment 1 to this document is a blank transmittal form. Please fill out one transmittal form to accompany each package of ACRs per CMS H-number.

For example, consider an M+C organization with two H-numbers and eight ACRs. It plans to submit three ACRs under contract number H0008 and five ACRs under contract number H0009. Therefore, the M+C organization would submit one transmittal form for the three ACRs as a package under H0008 and one transmittal form for five ACRs as a package under H0009.

Please place the transmittal form on top of all the paper copies of the ACRs.

## ACR EXCEL WORKSHEETS—**FIRST ITEM OF A TAB**

The ACR workbook contains nine separate worksheets. The paper copy of the ACR workbook should be the first item filed under any tab. Submit all nine worksheets, even ones that you don't need to use for your ACR (i.e., blank worksheets). The appropriate supporting documentation for that ACR should start with the second item of each tab.

## ACR SUPPORTING DOCUMENTATION—**SECOND ITEM OF A TAB**

The supporting documentation for an ACR worksheet should be the second item filed under any tab; in other words, it should be filed directly behind the ACR worksheets.

The substantiating records for the information reflected on that spreadsheet are subject to audit by CMS in accordance with the Balanced Budget Act of 1997. If it becomes necessary to seek any further substantiation of the data in any worksheet during a plan review, CMS will ask the M+C organization to provide that information separately.

To facilitate the indexing of scanned documents, each page of supporting documentation (*not* ACR worksheets) submitted must contain a label in the *upper right-hand corner* of every page. The label should look like this: **A1-1**. The letter (and number, if needed) preceding the hyphen refers to an ACR worksheet that is being supported (in this example, Worksheet A1). The number after the hyphen refers to the specific item of documentation (see below). Handwritten labels are fine.

*Do not consolidate* supporting documentation in any one section. In other words, put all the documents relating to Worksheet A in section A, put all the documents relating to Worksheet A1 in section A1, and so forth.

The following sections discuss the most common needs for supporting justification of ACR matters. However, note that the *ACR Instructions* describe other types of supporting documentation needed in special circumstances.

**Worksheet A—Cover Sheet.** Please provide the following supporting documentation:

- ◆ **Initial rate components—[A-1].** Refer to Worksheet A, Part IB, column b, line 1 through line 3. M+C organizations that use a community rating method to determine their initial rate also must submit the weighted average of all premiums and cost sharing charged to non-Medicare enrollees. (See Chapter 2 of the *ACR Instructions* for an explanation of these terms.) Please provide substantiation for all initial rate calculations. If the total premium from a weighted average of premiums and cost sharing is less than the initial rate calculated under the community rating methodology, you must provide adequate supporting documentation for the difference. If the plan has no initial rate, indicate why not.
- ◆ **Actuarial Certification—[A-2].** CMS is asking M+COs to submit an actuarial certification for *each* ACRP attesting to the appropriateness of the actuarial methods and assumptions underlying the ACRP. The M+CO's actuary or consulting actuary should sign the certification. While CMS recommends the following language, comparable language would similarly signify to CMS that the actuarial assumptions in question follow the appropriate Actuarial Standards of Practice.

*I certify that, to the best of my knowledge and judgment, the data, actuarial assumptions, and actuarial methods underlying this Adjusted Community Rate Proposal conform to the appropriate Actuarial Standards of Practice, as promulgated by the Actuarial Standards Board, and that the results reasonably reflect the statutory purpose for which the estimates are prepared. Furthermore, I believe that the benefits provided by this plan are reasonable in relation to the total of the Medicare capitation payments and enrollee premiums.*

M+COs are not required to submit an Actuarial Certification. If you do submit one, please label it “[A-2].”

- ◆ **Withdrawals from a stabilization fund—[A-3].** Refer to Part IA, line 9. Indicate which conditions in 42 CFR 422.312 the plan has met if it proposes to make withdrawals from a stabilization fund.

**Worksheet A1—Service Area and Estimate of Annual Payment Rate—[A1-1].** Please justify all adjustments shown in column d or column l of Worksheet A1.



Also, please justify any change in the risk score between contract years 2002 and 2003.

**Worksheet B—Base Period Costs per Member-Month—B-1**. Any written approval from CMS to combine cost reporting components (health care components) of Worksheet B should be enclosed in section B-1.

If you are reporting Optional Supplemental Benefits on Worksheet B, please show, in your ACR backup material, the base-period amounts for direct medical costs, administration costs, and additional revenues for each individual Optional Supplemental Benefit. Show each of those three items separately. Please provide detailed calculations supporting your estimates in the backup material for your ACR. In addition, break out the expected receipts for COB—Other allocated to each benefit.

**Worksheet B1—Base Period Financial Data—B1-1**. If the values reflected on this spreadsheet cannot be readily traced to the organization's audited financial statements, please submit an explanation. It should explain clearly the reasons for any deviation from the audited financial statements.

**Worksheet C—Premiums and Cost Sharing—C-1**. Use section C-1 to show clearly the methodology you used to project each of the values reflected in columns a through f for all the components of lines 1 through 21. Be sure to identify the amount of each out-of-pocket cost-sharing charge and any other values (e.g., utilization rate) used to estimate each ACR value. In addition, if you use waivers under section 617 of BIPA, remember to retain in your files the backup materials discussed in Chapter 14 of the *ACR Instructions*.

For lines with multiple benefit service categories in the PBP, the substantiation must reflect a corresponding level of detail. For example, if a plan has a \$5 co-pay for primary care physician services and a \$10 co-pay for physician specialist services (lines 7a and 7d in the PBP), then the substantiation must reflect the methodology used to calculate the per-member, per-month value of each of those cost-sharing arrangements.

CMS review of your justification for cost-sharing entries will be more comprehensive than in the past because of the evaluation the CMS Office of the Actuary must complete as mandated by section 622 of BIPA.

**Worksheet C1—Part B-Only Maximum Charge for Part A Benefits**. No substantiation is necessary. Worksheet C1 is required just for Part B-only plans.

**Worksheet D—Expected Cost and Variation—D-1**. Show in section D-1 the rationale for each expected variation entry on the spreadsheet (except for negative entries on line 24ev2). Any justification provided should be in enough detail to fully explain the specific expected variation at issue.

Some justifications can be very brief. For example, merely stating that you made an entry to eliminate the costs in the worksheet for a previously offered benefit that you will not offer in the contract year would be adequate justification. However, other justifications—such as one pertaining to the costs of a new benefit, to any positive entry on line 24, or to M+C benefits where the 2-year growth rate for costs differs from the 2-year trend for non-Medicare direct medical costs (from Worksheet A)—need to be more detailed and must include *all* computations.

In addition, if you use waivers under section 617 of BIPA, remember to retain in your files the backup materials discussed in Chapter 14 of the *ACR Instructions*.

NOTE: CMS review of your justification for expected variation entries will be more comprehensive than in the past because of the evaluation the CMS Office of the Actuary must complete as mandated by section 622 of BIPA.

**Worksheet E—Adjusted Community Rate.** No substantiation is necessary.

**Worksheet F—Adjusted Community Rate for Optional Supplemental Benefit—F-1.** For entries related to premiums and cost sharing, provide in section F-1 the same substantiation material described in the above discussion of Worksheet C. For expected variation entries, provide in section F-1 the same material described in the above discussion of Worksheet D.

If you are reporting Optional Supplemental Benefits on Worksheet F, please show, in your ACR backup material, the projected amounts for direct medical costs, administration costs, and additional revenues allocated to each individual Optional Supplemental Benefit. Show each of those three items separately. Please provide detailed calculations supporting your estimates in the backup material for your ACR. In addition, break out the expected receipts for COB–Other allocated to each benefit.

## GENERAL GUIDANCE FOR RESUBMITTING ACRS

### Resubmittals Through July 1

HPMS will be available for uploading of contract year 2003 ACRPs on June 3. If you submit your ACRP on or before July 1, 2002, and need to change it, you can do so at any time before the close of business July 1. Generally, HPMS will accept electronic resubmittals from certified users, without limit, up to the close of business July 1.

### Resubmittals After July 1

After July 1, 2002, HPMS will control electronic submissions of ACRs by certified users. At that point, you will have to get CMS approval to resubmit your

ACRP, or any part of it, electronically or on paper. That procedure will apply to changes initiated by either M+C organizations or CMS.

If your organization wants to initiate a change to its ACRPs after July 1, contact LMI for advice on how to proceed. After you get approval for a resubmittal, LMI will arrange for you to access HPMS at the appropriate time.

The same day you make an approved upload to HPMS of a revised ACR, also send LMI revisions of the paper copy that corresponds to the revised electronic version. Don't forget to include the appropriate certification signatures on Worksheet A of each revised ACR.

**EXCEPTION**—In certain instances you can resubmit your ACR without certification signatures on Worksheet A. Refer to Chapter 2 of the *ACR Instructions* to determine when the certification on Worksheet A must be completed for a resubmittal.

Again, whenever the three signatures for the certification are necessary for a specific type of change in the context of a resubmittal, please send LMI a completed certification (on Worksheet A) for all plans affected.

For resubmittals, use the same mailing address and packaging procedures that you followed for the initial submittal of your ACR.



Attachment 1: Transmittal Form

**M+C Organization Information**

Total Number of ACRs Attached: \_\_\_\_\_  
Total Page Count for All ACRs: \_\_\_\_\_

HCFA Contract #:

H- \_\_\_\_\_

Organization Name:

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Street Address:

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City:

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State:

--

Zip Code:

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**Primary Contact:**

Name:

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Title:

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Phone Number:

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Fax Number:

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E-mail address:

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**Alternate Contact:**

Name:

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Title:

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Phone Number:

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Fax Number:

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E-mail address:

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**Page Count for Each ACR:**

ACR #1:	_____	ACR #21:	_____
ACR #2:	_____	ACR #22:	_____
ACR #3:	_____	ACR #23:	_____
ACR #4:	_____	ACR #24:	_____
ACR #5:	_____	ACR #25:	_____
ACR #6:	_____	ACR #26:	_____
ACR #7:	_____	ACR #27:	_____
ACR #8:	_____	ACR #28:	_____
ACR #9:	_____	ACR #29:	_____
ACR #10:	_____	ACR #30:	_____
ACR #11:	_____	ACR #31:	_____
ACR #12:	_____	ACR #32:	_____
ACR #13:	_____	ACR #33:	_____
ACR #14:	_____	ACR #34:	_____
ACR #15:	_____	ACR #35:	_____
ACR #16:	_____	ACR #36:	_____
ACR #17:	_____	ACR #37:	_____
ACR #18:	_____	ACR #38:	_____
ACR #19:	_____	ACR #39:	_____
ACR # 20:	_____	ACR #40:	_____